

Procure to Pay Cycle

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*This Document Provides a high level overview of PTP flow through
diagrammatic representations.*

Procurement/purchasing is basically buying of goods and services, based on internal requirements, which will be used as input for the processing of the end product for a given company.

This input varies from simple stationery or MRO requirement to raw materials and services.

Simple stationary and MRO requirements are termed as **Indirect Goods** as they are directly not involved in production processing.

Raw materials are termed as **Direct Goods** as they are used for production processing.

Requisition Creation

First part of procure to pay Cycle is Creation of a Requisition.

Requisition is nothing but a formal request to buy something (like Inventory material, office supplies etc) needed for the enterprise.

Internal Requisition: Internal requisitions provide the mechanism for requesting and transferring material from one inventory to other inventory.

Purchase Requisition: Unlike Internal requisitions, Purchase requisitions are used for requesting material from suppliers.

Base Tables for Requisition are -

- 1) PO_REQUISITION_HEADERS_ALL
- 2) PO_REQUISITION_LINES_ALL
- 3) PO_REQ_DISTRIBUTIONS_ALL

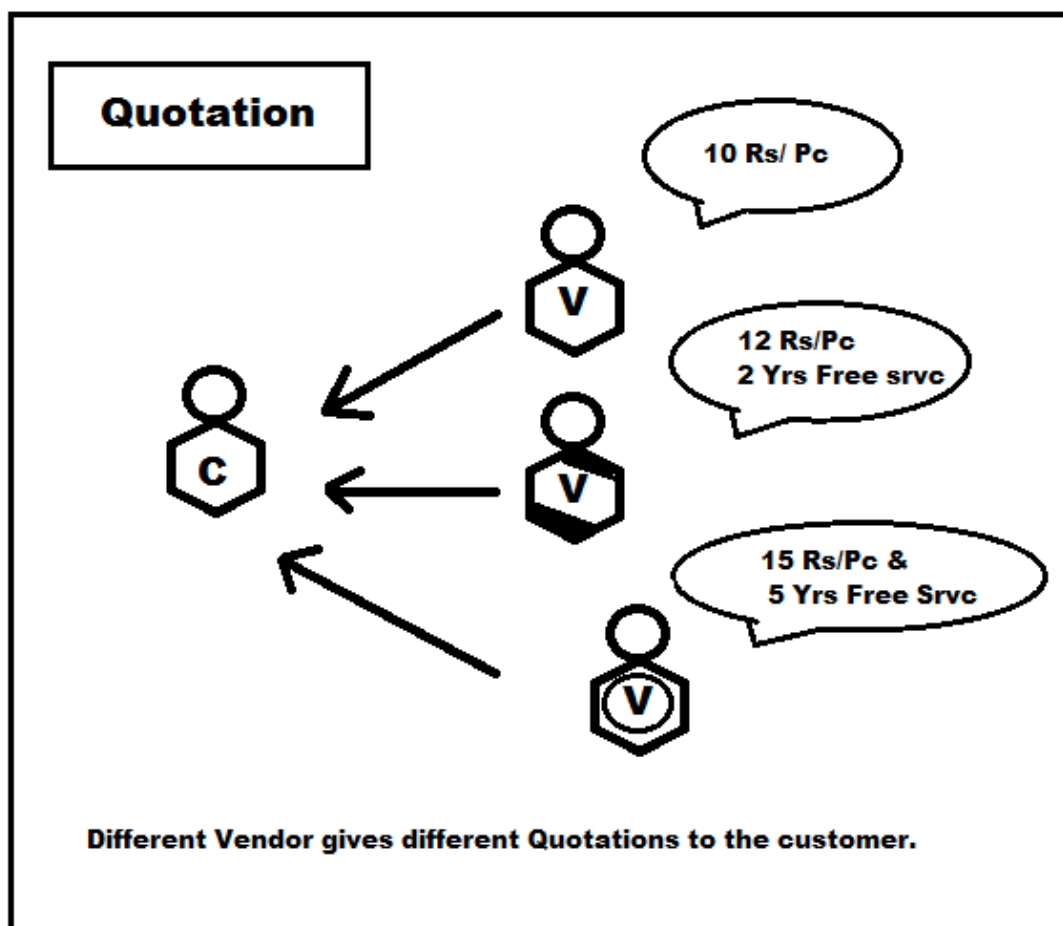
Note:

- Requisition_header_id is the link between PO_REQUISITION_HEADERS_ALL and PO_REQUISITION_LINES_ALL.
- Requisition_line_id is the link between PO_REQUISITION_LINES_ALL and PO_REQ_DISTRIBUTIONS_ALL.

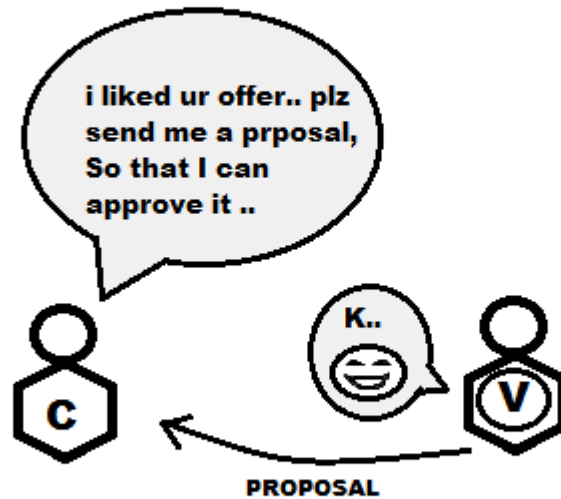
A Requisition is generated either manually or by system, which is ultimately turned into a purchase order by the buyer. Sometimes the buyer decides a **Request for Quotation (RFQ)** is required by other suppliers to determine the best price for the goods or services requested.

After the Request for quotation (RFQ) is made different suppliers give different quotations to the buyer.

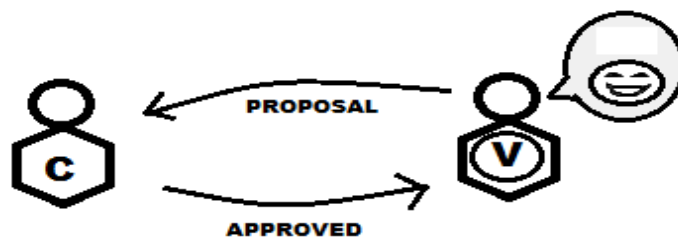
From the diagrams below we can have a better grip of the total thing. In the diagram 'C' represents Customer or Buyer and 'V' represents Vendor or Supplier.



After seeing the quotations the Customer chooses the best offer for the goods or services requested and request the Vendor to send a proposal.

Proposal

Seeing the quotations, Customer chooses the best offer for him and then vendor sends a proposal to the customer

APPROVAL

Customer approves the proposal

Purchase Order Creation

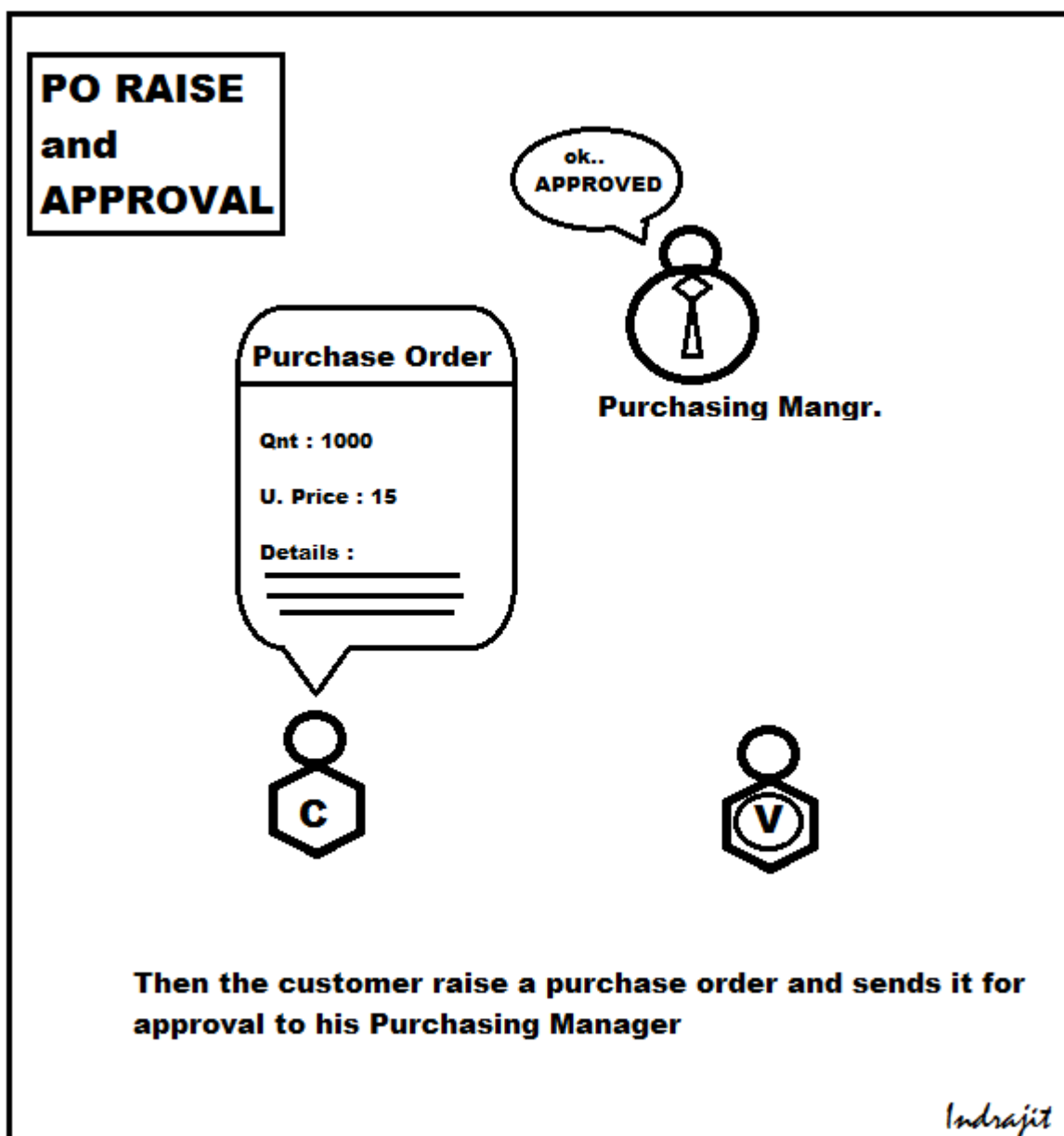
After the approval of the proposal Next step is to create a purchase order.

There are 4 types of purchase orders -

- 1) Standard PO
- 2) Planned PO
- 3) Blanket Agreement
- 4) Contract Agreement

But for the time being let's call it only **PO** as the topic of the discussion is P2P cycle not Purchase order details.

After the approval, Customer creates a purchase order and sends it for approval to his Purchasing Manager. And then Purchasing Manager approves the Purchase Order.



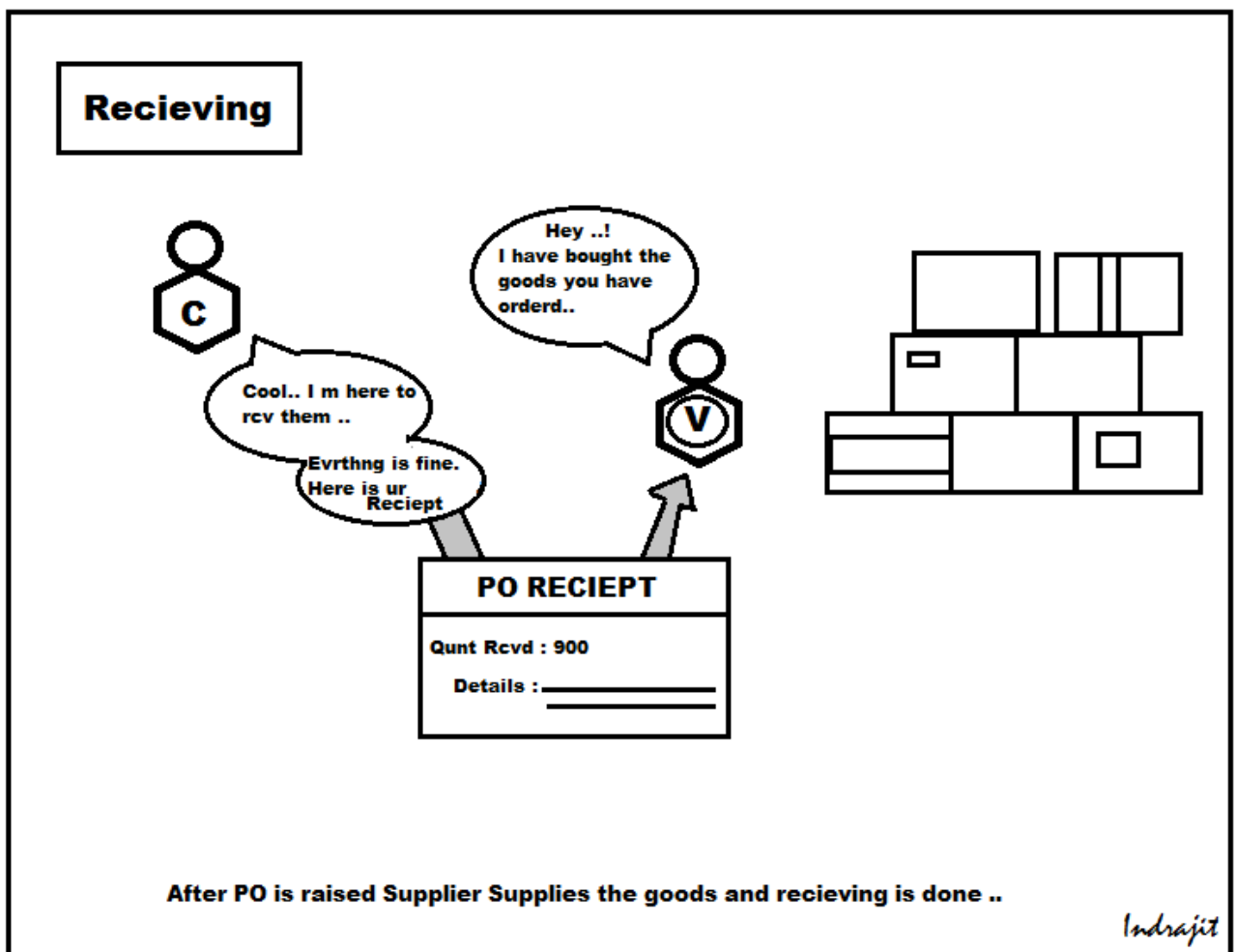
Base Tables for Purchase Order are -

- 1) PO_HEADERS_ALL
- 2) PO_LINES_ALL
- 3) PO_DISTRIBUTIONS_ALL
- 4) PO_LINE_LOCATIONS_ALL

Note: po_header_id is the link between all these tables

Receiving and PO Receipt Creation

After the Purchase order has been raised the vendor supplies the goods according to the order. Then the customer creates a PO receipt as an acknowledgment of receiving the goods from the vendor.



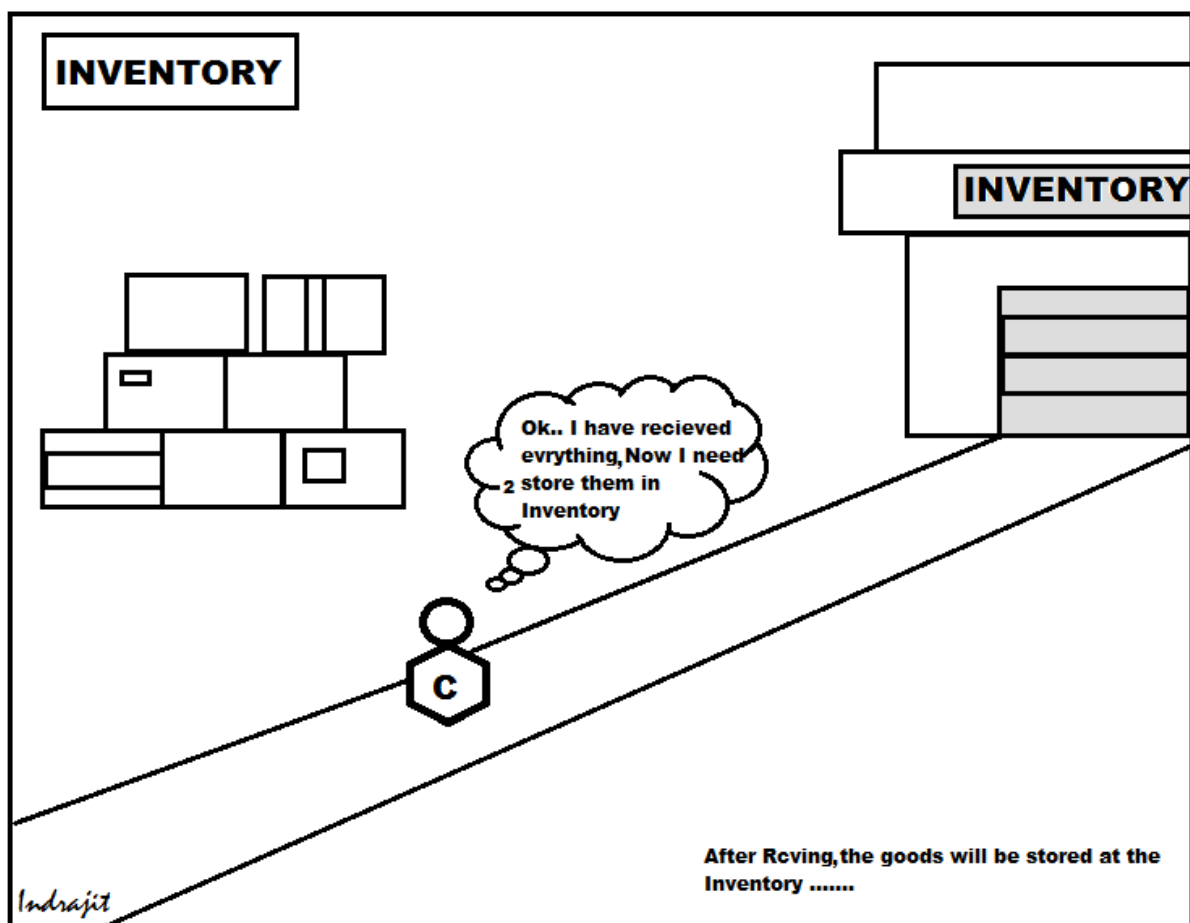
Base Tables for Receipt are -

- 1) RCV_SHIPMENT_HEADERS
- 2) RCV_SHIPMENT_LINES
- 3) RCV_TRANSACTIONS

Note:

- shipment_header_id is the link between RCV_SHIPMENT_HEADERS and RCV_SHIPMENT_LINES
- po_header_id is the link between RCV_SHIPMENT_HEADERS and RCV_TRANSACTIONS

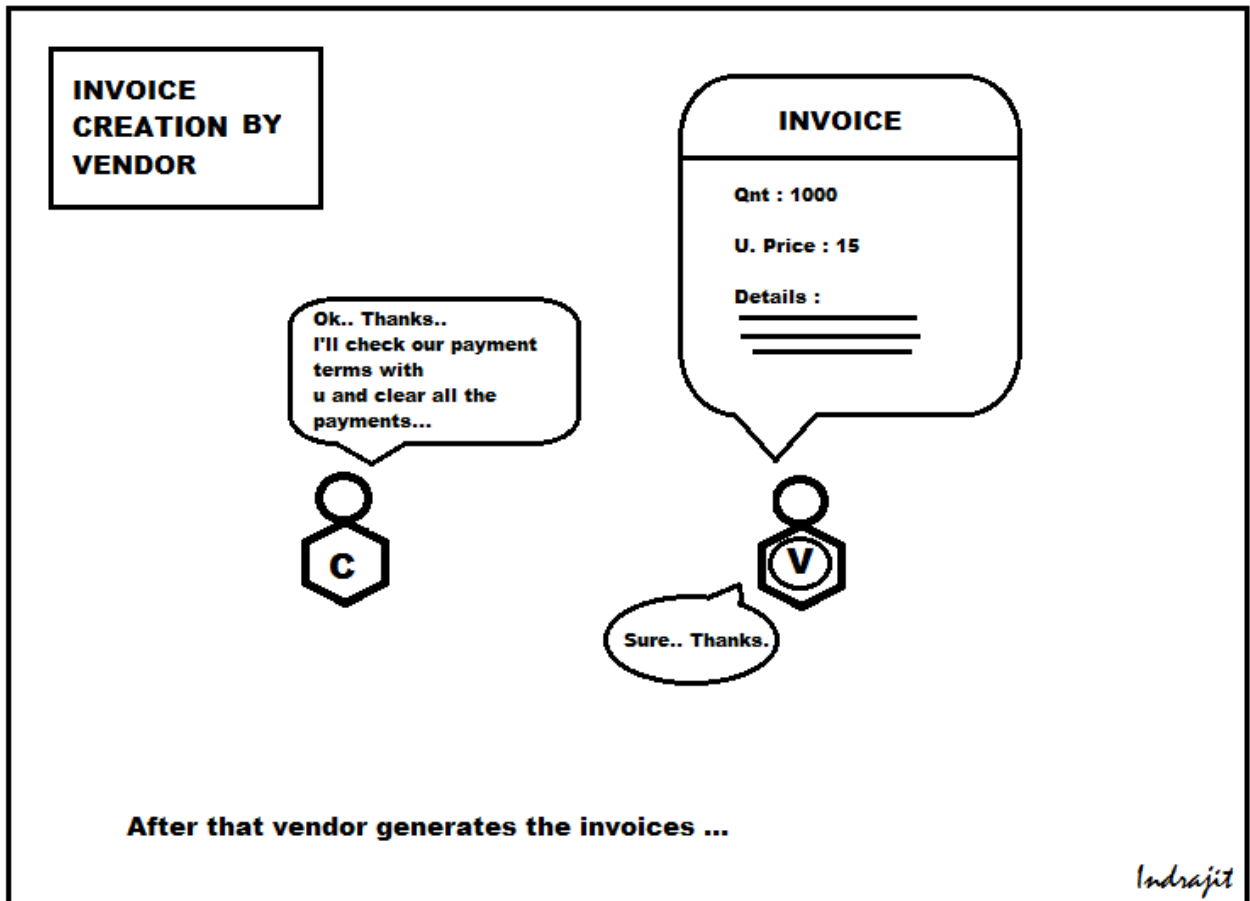
After receiving is done, the goods are stored in the inventory.



Invoice Creation

After Receiving and PO receipt creation next step is Invoice Creation.

Once the goods are received the Vendor creates the invoices for all the goods which he has supplied, so that the buyer can make the payments for them.



Base Tables for INVOICE are -

- 1) AP_INVOICES_ALL
- 2) AP_INVOICE_LINES_ALL
- 3) AP_INVOICE_DISTRIBUTIONS_ALL

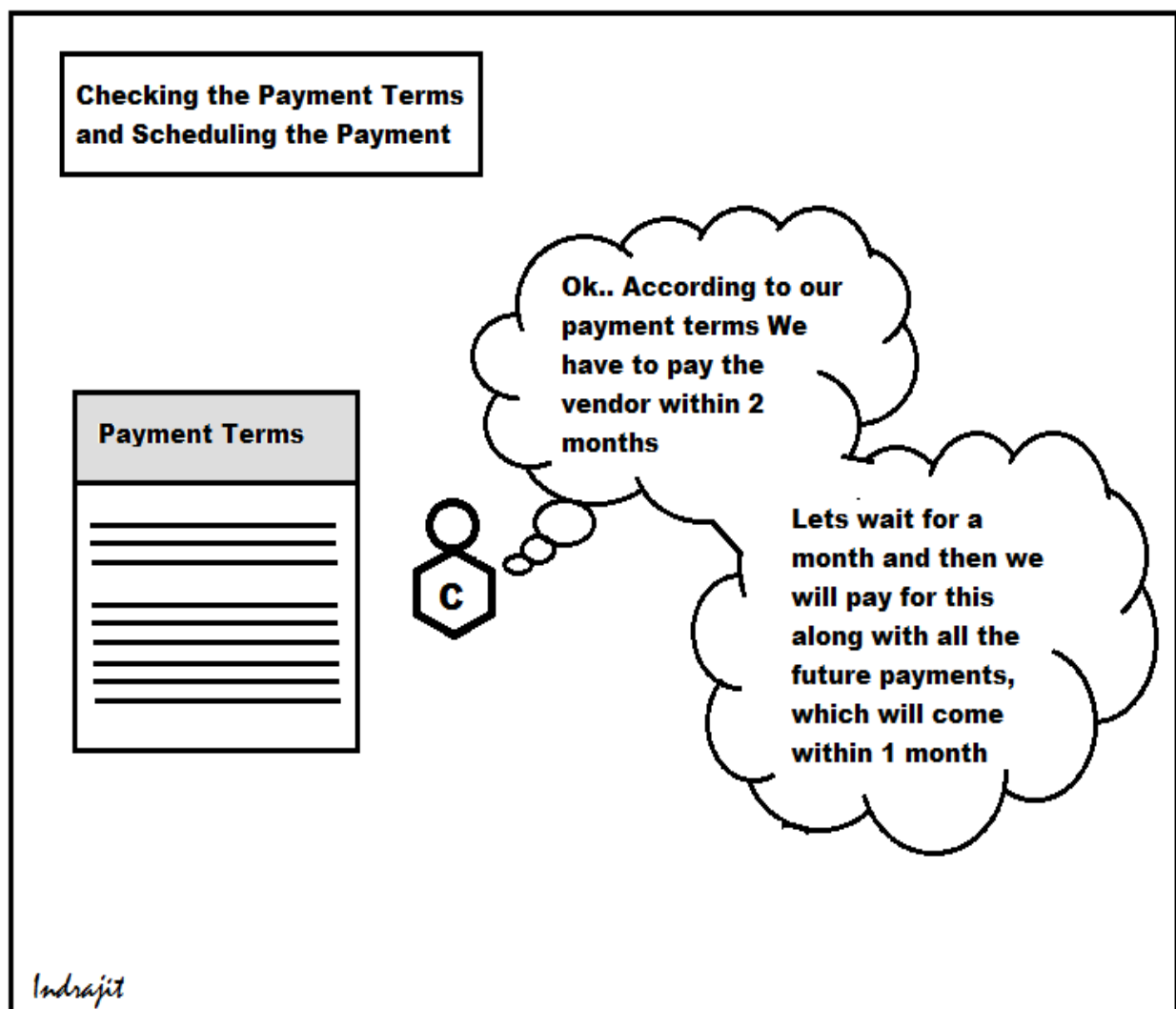
Note: invoice_id is the link between AP_INVOICES_ALL and AP_INVOICE_DISTRIBUTIONS_ALL

Making the Payment

After the invoices are created then it is time to make the payment for the goods purchased. Based on the Payment terms of the Buyer and the Vendor, payments are made.

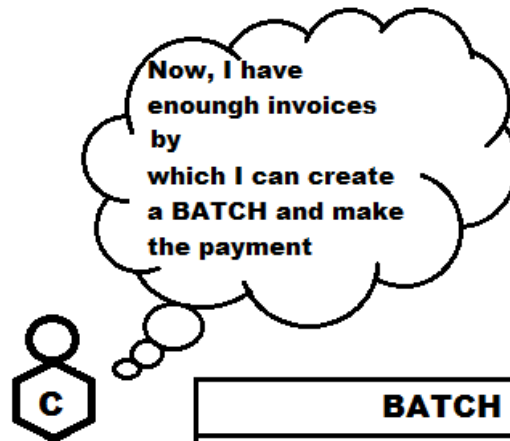
The buyer can make the payment for single invoices as well as for multiple invoices at a time. If the Buyer wants to make payments for multiple invoices at a time then he needs to create a **BATCH** for making the payment.

BATCH can be made of 'payment for invoices created by the same vendor' or 'payment for invoices created by the different vendors'.



BATCHING

After 1 month ...



BATCH
Payment for 1st invoice.
Payment for 2nd Invoice
Payment for 3rd invoice

After 1 month, some more invoices are generated .

So the customer makes a batch and make the payment of all the pending invoices together.

In this case along with the 1st invoice 2 more invoices has been generated. So the customer decides to make a batch and make the payment for all 3 invoices all together

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Base Tables for Payments are -

1. AP_CHECKS_ALL
2. AP_INVOICE_PAYMENTS_ALL
3. AP_PAYMENT_SCHEDULES_ALL